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BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

## Discontinuing Social Security's Currently Insured Benefit Provision Would Save Millions And Eliminate Inequities

One of Social Security's benefit eligibility insurance provisions, the currently insured provision, no longer has relevance. Discontinuance of the provision could save Social Security's trust funds about \$180 million through 1990 and will not affect survivors now receiving benefits. Further, discontinuance will end some inequities to survivors of fully insured workers and to some survivors of workers who do not qualify for benefits.

GAO recommends that the Congress amend the Social Security Act to eliminate the currently insured provision.



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HRD-82-51  
APRIL 23, 1982

021763

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

B-206871

To the President of the Senate and the  
Speaker of the House of Representatives

This report shows that one of Social Security's eligibility insurance provisions enacted in 1939, known as the currently insured provision, no longer has relevance. Discontinuance of the provision could save Social Security's trust funds about \$180 million through 1990. Perhaps more importantly, discontinuance will end some inequities to the survivors of fully insured workers and to some survivors of workers who do not qualify for benefits.

The review was part of GAO's continuing evaluation of the Old-Age, Survivors, and Disability Insurance programs administered by the Social Security Administration.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Health and Human Services; and the Commissioner of Social Security.

*Charles A. Bowsher*  
Comptroller General  
of the United States



D I G E S T

GAO recommends that Social Security's currently insured benefit provision be discontinued because it is irrelevant and inequitable in today's environment. Discontinuance will not affect survivors now receiving benefits and could, through 1990, save the trust fund about \$180 million. (See pp. 27 and 29.)

Social Security benefits may be payable to a worker's survivors if that worker was "fully insured." Almost all workers who die and whose survivors receive benefits are fully insured. There is, however, an alternative insurance provision called "currently insured," which allows less than one-half of 1 percent of the 1.3 million workers who die each year to obtain eligibility. To be currently insured, a worker need only have 6 quarters of coverage during the 13-quarter period ending with the quarter in which death occurs.

The currently insured provision was enacted in 1939--4 years after the creation of Social Security. The provision was created to serve as a backstop protection during the program's early years when borderline eligibility situations arose from an employment environment where 4 of every 10 jobs were not covered by Social Security.

Today, more than 9 of every 10 jobs are covered by Social Security, and the vast majority of workers are fully insured. Further, over the years the coverage requirements to obtain and retain full protection have been eased so that there is no longer the same need for an alternative path to eligibility. To achieve full coverage, less time is required, and continued nominal earnings requirements make coverage easy to obtain. Using total yearly earnings to determine covered quarters makes full coverage easier to get and, once obtained, easier to keep. (See pp. 5 to 10.)

Fully insured persons worked significantly more time to achieve eligibility than currently insured workers. The gap of work in covered employment widens as the age of the workers increases. For instance, at age 60, fully insured women average 12.5 years more work in covered employment and fully insured men average 20.5 years more work in covered employment than their currently insured counterparts. Moreover, at age 60, fully insured women and men pay, on the average, \$3,389 and \$8,027, respectively, more in Social Security taxes than do the currently insured (or about 5 and 8 times, respectively, of what their currently insured counterparts paid). Currently insured survivors receive disproportionately more in benefits per worker tax dollar paid into Social Security than do survivors of the fully insured and recover taxes paid much faster. (See pp. 11 to 15.)

By placing special emphasis on the 13-quarter period before death, the currently insured provision fosters another inequity--some workers pay more Social Security taxes and work as long or longer than the currently insured but do not qualify for benefits. This happens because some uninsured workers have worked too few quarters to be fully insured, and too little time during the 13-quarter period before death to be currently insured but, overall, have worked longer and/or paid more taxes than did the average currently insured. GAO estimates that at least 4,100 workers who died in 1978 either had paid more taxes or worked as long or longer under covered employment than the currently insured, yet did not qualify for benefits. Of these, about 500 actually did both--paid more taxes and worked longer than the currently insured. (See pp. 15 and 16.)

Most currently insured workers have a history of lower earnings in covered employment when compared to the average earnings of fully insured workers. No currently insured male worker exceeded the average earnings of fully insured men. Only 1.6 percent of the currently insured women workers exceeded the average earnings of fully insured women. Some currently insured workers had lifetime covered earnings totaling less than \$4,000. (See pp. 17 to 19 and app. VII.)

The currently insured provision serves some workers under circumstances apparently never envisioned by the Congress. Some workers can work very little in covered employment--as little as it took to earn \$1,160 in 1980 and \$620 in 1981--and be currently insured. For example, if a worker earned \$1,160 in December 1980 and \$620 in January 1981, the worker's survivors could receive Social Security benefits. In addition, certain types of wage earners, such as illegal aliens, some self-employed persons filing retroactively, and government workers receiving dual protection, may gain eligibility under the currently insured provision by reason of minimal, short-term but recent covered employment. (See pp. 19 to 25.)

#### RECOMMENDATION TO THE CONGRESS

The Congress should amend the Social Security Act to eliminate the currently insured provision. (See p. 28.)

#### AGENCY COMMENTS AND OUR RESPONSE

The Department of Health and Human Services, in responding to a draft of this report (see app. VIII), did not comment on our recommendation. In 1979, however, the Department had proposed legislation to eliminate the provision, but no legislation to accomplish the change was introduced. The Social Security Administration's rationale at that time supporting such elimination for future beneficiaries was based on reasoning similar to that used in this report.



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ABBREVIATIONS

GAO	General Accounting Office
SSA	Social Security Administration

## CHAPTER 1

### INTRODUCTION

Created in 1935, Social Security is one of the world's largest insurance programs. Nine out of 10 American workers--about 115 million people--pay Social Security taxes.

Social Security's basic purpose is to provide some minimum income for the taxpayer and his or her dependents when the taxpayer's earnings are curtailed or stopped due to disability, retirement, or death.

Workers covered by Social Security pay taxes on their earnings. The taxes go into trust funds, which pay benefits when the workers or their survivors become eligible.

#### A BRIEF LOOK AT THE TWO METHODS FOR BECOMING ELIGIBLE FOR BENEFITS

Workers build credits, called quarters of coverage, toward eligibility by paying taxes on their earnings. Once the required number of paid quarters has been reached, the worker is eligible to receive a benefit in the event of retirement or disability. If the worker dies, his or her survivors may be eligible to receive benefits. Generally, the number of quarters of coverage required depends on the worker's age.

#### Fully insured provision

About 99 percent of all insured workers earn retirement and death protection for their survivors by meeting the requirements of the fully insured provision. This means having one quarter of coverage for each year after 1950 (or after age 21, if later) and before the year of death (or age 62, if sooner). The minimum number of quarters required for all workers under age 29 is six. Generally, a worker at age 29 needs seven quarters; at age 30, eight; at age 31, nine; and so on. The maximum number required for a worker in 1981 is 30 quarters (7-1/2 years of credited work in covered employment) earned at any time during the worker's life.

The fully insured provision for disability benefits has an additional requirement; however, this report deals only with eligibility for survivors' benefits payable when a worker dies.

#### Currently insured provision

Under the currently insured provision, a worker needs only six quarters of coverage, regardless of age, to attain eligibility for death and survivors' benefits. The quarters must have been earned during the last 3-1/4 years (13 quarters) of the worker's life. The currently insured provision does not affect most

workers because they work at least six quarters before age 29 and continue working at least one quarter of each year until they become 62 or die and are, therefore, fully insured.

### Both provisions

To become eligible, qualifying under either provision is required. Many fully insured workers, with continuous work histories in covered employment, qualify under both provisions. There is no difference in benefits for fully insured workers who also qualify as currently insured workers.

### Types of benefits payable

The only survivors' benefits that can be paid on the basis of currently insured status are the lump-sum death benefit, benefits to surviving children, and benefits to a surviving mother or father caring for a child under age 16. (Other survivors' benefits, such as those payable to aged widows and widowers, disabled widows and widowers age 50 and over, and the aged parents of a worker, can be paid only on the record of a fully insured worker.)

### SOCIAL SECURITY'S FINANCIAL PLIGHT

Despite recognition in the 1970s of shrinking balances in Social Security's trust funds and the imposition by the Congress in 1977 of a series of tax increases, the trust funds are currently in financial trouble.

In July 1981, the trustees of the Federal Old-Age and Survivors Insurance Trust Fund said:

"\* \* \* without corrective legislation in the very near future, the Old-Age and Survivors Insurance [OASI] Trust Fund will be unable to make benefit payments on time beginning in the latter half of 1982. Under present law, and on the basis of any reasonable set of economic assumptions, the expenditures of the OASI program will continue to exceed the program's payroll tax and other income through at least 1985. To date, benefit payments have been made on a timely basis by drawing down the assets of the OASI Trust Fund to cover the shortfall. This, of course, is the fund's purpose: to act as a contingency reserve during temporary periods when outgo exceeds income. At this time, however, the assets of the OASI Trust Fund have been reduced to such a low level that they will not be able to continue making up the difference for much longer. If assets are allowed to decline to the point where their amount at the end of a particular month is less than the benefit payments falling due on the third of the following month, inability to pay all benefits

on time for that month would result. This condition is expected to occur for the OASI program in the latter half of 1982 unless income to the program is increased or its benefits are reduced. \* \* \*

#### OBJECTIVE, SCOPE, AND METHODOLOGY

In discussing the flaws in the Social Security system, J. W. Van Gorkom, who has been a member of the Advisory Council on Social Security and the previous chairman of its Subcommittee on Finance, said:

"\* \* \* Benefits are not received as a matter of right merely because they are received from the OASDI [Old-Age, Survivors, and Disability Insurance]; they are received as a matter of right only when they have been paid for by the beneficiary, at least in substantial part. The fallacy lies in the unconscious tendency to assume that all benefits received from OASDI have been paid for. Once that may have been true, but today, to re-emphasize, some beneficiaries are paying nothing toward their future benefits and many are paying only a very small amount in comparison with benefits received." 1/

Keeping in mind the concerns expressed by Mr. Van Gorkom, we decided to examine the currently insured provision, devised over 40 years ago, to see if it is justified today.

The review was performed in accordance with GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." We conducted the review mainly at the Social Security Administration (SSA) in Baltimore, Maryland. We looked at the purpose of the currently insured provision as enacted by the Congress. The provision's present applicability was evaluated by comparing employment and insurance requirements then and now. To determine the provision's present effect, we examined three groups of workers--fully insured, currently insured, and uninsured--who died in 1978. 2/ We looked at how long workers in these three groups worked in employment covered by Social Security, how much they earned, and how much taxes they paid. To examine the circumstances leading to benefits, we reviewed some

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1/From an article in the April 1979 issue of "Across the Board" published by the Conference Board (a public affairs research and publishing organization, formerly known as the National Industrial Conference Board).

2/The year with the latest available earnings information when we began our review.

case files for currently insured workers who died in 1980. Specifics of our scope and methodology are discussed in appendix I.

We noted that, in 1979, the Department of Health and Human Services submitted draft legislation to the Congress that proposed eliminating the currently insured provision. The rationale used by SSA in 1979 in support of eliminating the provision for future beneficiaries follows:

"Currently insured status was provided in the early years of the program to protect survivors of workers who died before they had time to work long enough under social security to become fully insured. Since that time, the requirements for fully insured status have been relaxed, the scope of employment covered by social security has been broadened substantially, and the program has matured. Today, those people who are currently insured but not fully insured are primarily people who either have had very marginal attachment to any employment at all or have been employed primarily in noncovered employment. Younger workers--those under age 29--would not be affected since, for them, the present fully insured status requirement is less stringent than the present currently insured status requirement."

Accordingly, we sought to review the above factors cited by Social Security and develop data about the currently insured worker.

## CHAPTER 2

### THE NEED FOR THE CURRENTLY INSURED

#### PROVISION NO LONGER EXISTS

Our review indicates that the currently insured provision has become increasingly unnecessary. Most jobs are covered by Social Security, and the vast majority of workers are fully insured. Further, the requirement to obtain and retain full protection has been eased over the years so that there is no longer the same need for an alternative path to eligibility.

#### THE INCREASE IN COVERED JOBS HAS GIVEN MANY MORE PEOPLE THE OPPORTUNITY TO QUALIFY FOR FULL COVERAGE

In 1939, when the currently insured provision was enacted, the Senate Committee on Finance said in its report 1/ that it had given:

"\* \* \* particular attention to the borderline situations which will arise in the early years of the proposed old-age and survivors insurance system whereby some persons will barely qualify for benefits and other persons will barely miss qualifying for benefits. It is inevitable that borderline situations will arise in the early years of any contributory social-insurance system which does not cover all of the gainfully occupied persons. \* \* \*"  
(Underscoring supplied.)

At that time, 4 of every 10 jobs were not covered by Social Security. This lack of covered jobs limited workers' opportunities to gain coverage. Until workers built up the necessary number of quarters, they were not covered.

Under the fully insured provision, a worker was required to accrue one quarter of coverage for every two calendar quarters that had elapsed since a specified starting point. The point was either 1936 or the first calendar quarter of the worker's 21st birthday, whichever occurred later. 2/ For example, a 55-year-old worker starting work in covered employment in 1943 would have to make up all time from the starting point not worked in covered employment (1937 through 1942, 12 quarters of coverage). This worker's family could not receive protection under the fully insured provision until the worker reached age 60.

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1/Senate Committee on Finance report 734, July 7, 1939.

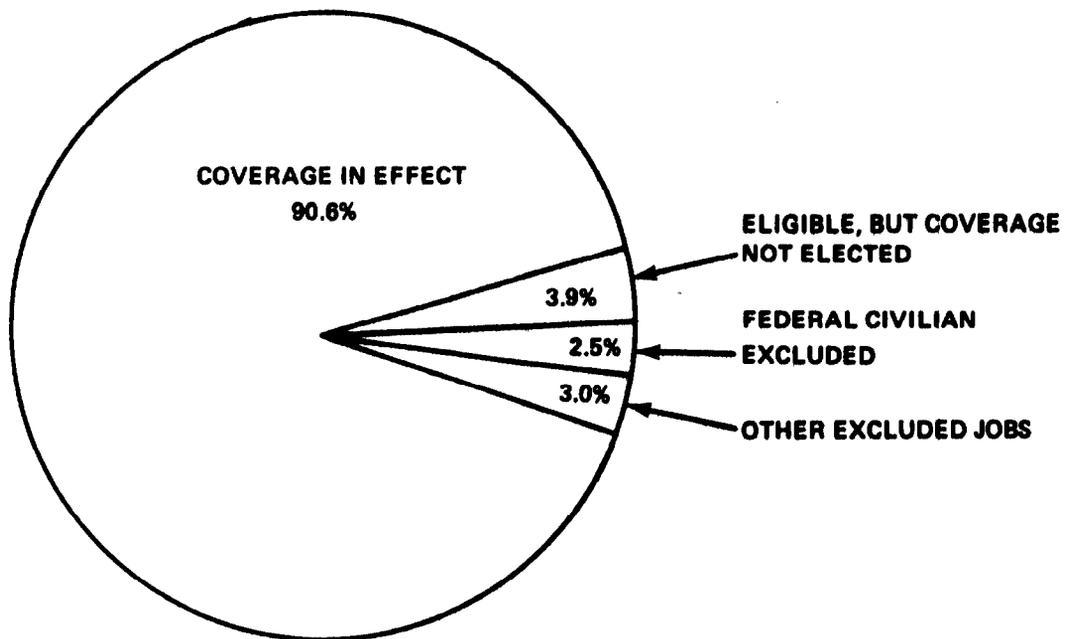
2/Both the year and the age provision were later changed by law, as shown on page 7.

The problem in 1939 that the Congress sought to correct might have been characterized as a lack of opportunity to accrue sufficient quarters of coverage in covered employment. Only 6 of every 10 jobs offered the opportunity to gain coverage.

Today, however, that problem is substantially less significant. In 1979, the latest year for which SSA had figures available, 89.3 million of 98.6 million jobs (or more than 9 of every 10) were covered. A large portion of the 9.3 million jobs not covered under Social Security are covered by other retirement or survivor programs, such as the Federal Civil Service Retirement System.

Jobs not covered also included such irregular or part-time work which was less than the minimum necessary to earn one quarter of coverage, such as that performed by some domestics and farm workers. Should these workers earn sufficient income in their domestic and farm jobs to meet the quarters of coverage earnings requirement, they also could become eligible for benefits. Consider the following chart:

Percent of Jobs Offering Covered Employment in 1979



Looking at the situation another way, consider the growth in the percentage of living workers who are insured. From 56 percent in 1940, the percentage insured has grown to about 86 percent today. And most of that increase was in fully insured workers, as the following table shows:

Increase in Percent of Fully Insured Workers

<u>At beginning of year</u>	<u>Fully insured</u>	<u>Currently insured</u>
1940	(a)	(a)
1945	82.64	17.36
1950	87.75	12.25
1960	96.24	3.76
1970	98.60	1.40
1978	98.69	1.31
1979	98.72	1.28
1980	98.75	1.25
1981	98.77	1.23

a/Persons currently insured before July 1940 are also fully insured.

The preceding table might lead one to believe that, in time, there will not be any more currently insured workers. That belief presumes that all currently insured workers would continue to work and thus earn sufficient quarters to be fully insured. However, even if universal coverage of all jobs were mandated, some workers would die before sufficient quarters were earned to become fully insured.

LIBERALIZED TIME AND NOMINAL  
EARNINGS REQUIREMENTS MAKE FULLY  
INSURED COVERAGE EASY TO GET AND KEEP

Less time is now required  
to achieve coverage

Today, it takes less than half the time it did in 1939 to obtain coverage. In 1939, eligibility for benefits required having one covered quarter for every two calendar quarters that had elapsed after 1936 or after the quarter in which the worker reached age 21 (whichever occurred later) and before the quarter of death or age 65 (whichever occurred sooner). Today, only one quarter of coverage is required for every four calendar quarters after 1950 or after the year in which the worker reaches age 21 (whichever occurs later) and before the year of death or age 62 (whichever occurs sooner).

Using total yearly earnings  
to determine covered quarters  
has made coverage easier to get

Before 1978, a quarter of coverage generally required earning at least \$50 in a specified calendar quarter. A worker earning \$50 in wages the first calendar quarter and anything less in each of the three successive quarters received credit for only one quarter of coverage.

In 1978 an annualization of earnings method was implemented. Since then, a quarter of coverage has generally equaled the total year's earnings divided by the minimum earnings required per quarter of coverage (\$310 in 1981). Thus, a worker who earned \$310 during the first calendar quarter and \$250 for each of the succeeding three quarters received credit for three quarters of coverage (\$1,060 divided by \$310).

Simply stated, annualization of earnings means that, although employed in only one quarter and earning a minimum amount, a worker can receive credit for up to three additional quarters.

Continued nominal earnings requirements  
make coverage easy to obtain

The earnings necessary to earn a quarter of coverage remain nominal despite significant changes in economic conditions. From the beginning of 1939 through 1977--a period of 38 years--a quarter of coverage could be earned for as little as \$50 despite a cost-of-living increase of over 400 percent during the same time period. In 1978, the earnings requirement for one quarter of coverage was raised to \$250; 1979, \$260; 1980, \$290; 1981, \$310; and 1982, \$340.

To understand just how nominal the earnings figure is, compare the 1981 earnings requirements to the minimum wage. In December 1939 the minimum wage was \$.30 an hour. To earn the per-quarter \$50 required for Social Security coverage, the worker had to work 166.7 hours. In 1981, when the minimum wage was \$3.35 an hour, to earn the per-quarter \$310 required, the worker had to work only 92.5 hours.

Another perspective: comparing the earnings requirement to earnings at the poverty level for 1981 shows a worker had to earn only 28.8 percent of the poverty level to earn four quarters of coverage.

Coverage once obtained  
is easier to keep

Not only is it easier to obtain fully insured coverage now than in 1939, it is also easier to retain full coverage. The significant increase in the number of covered jobs makes it easier for today's job changer to carry quarters of coverage from one covered job to another, and thus retain coverage.

Today, people who stop work may have accumulated--because of liberalized time and low earnings requirements--a surplus of quarters to tide them over when not employed. Until age 29, a worker needs just six quarters of coverage to be fully insured. And, according to Social Security figures (as of January 1, 1978), almost 9 of every 10 males and 8 of 10 females at age 21 had accumulated six quarters of coverage. Since quarters of coverage do not lapse, the extent of those covered at a younger age is significant. Appendix II shows an analysis of the percentage of males and females--ages 18 through 28--who have accumulated 6 quarters of coverage (1-1/2 years), 12 quarters (3 years), and 16 quarters (4 years).

Just how significant the retention feature can be for those out of covered employment is shown in the following table. The table shows the percentage of workers at age 28 who would still be fully protected after the specified elapsed years even if these workers never worked again in covered employment.

<u>Elapsed years after age 28</u>	<u>Percent still protected</u>	
	<u>Male</u>	<u>Female</u>
1	95	88
5	92	80
10	88	70
20	76	46
25	66	34
30	53	21
34 or more	38	12

Note: Based on SSA quarter of coverage data as of January 1, 1978.

An example: a fully insured worker who has worked 4 years and earned 16 quarters stops working at age 26 to have a child. (About 7 of every 10 women at this age have earned 16 quarters.) She will remain fully insured, without working again, until age 39--when, to retain coverage, she will have to earn one quarter (now \$340) a year in covered employment.

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The opportunity to be covered under Social Security has greatly increased since the program began. The problems that led to the currently insured provision--the lack of jobs covered by Social Security, the large proportion of workers not being insured, and the existence of a relatively stringent eligibility requirement--no longer exist.

CHAPTER 3

THE CURRENTLY INSURED

PROVISION FAVORS A FEW WORKERS

AT THE EXPENSE OF ALMOST ALL WORKERS

In the previous chapter, we showed that (1) more workers are fully insured than ever before, (2) the vast majority of all jobs are covered by Social Security, and (3) it has become easier to obtain and retain coverage under the fully insured provision. This chapter illustrates two inequities: Most currently insured persons work significantly less time and contribute significantly less Social Security taxes than do fully insured workers--yet survivors of the currently insured receive disproportionately higher benefits. Also, although some work longer and pay more taxes than currently insured workers do, at death no benefits are paid on their behalf because they never obtained coverage.

THE FULLY INSURED WORK  
SIGNIFICANTLY MORE TIME TO  
ACHIEVE ELIGIBILITY THAN THE  
CURRENTLY INSURED

The currently insured work significantly less time in covered employment than do the fully insured. By definition of Social Security insurance requirements, the fully insured must work longer. The following table shows the difference in quarters credited for coverage.

Average Quarters of Coverage for Workers Deceased in 1978

Age at death	Men			Women		
	Fully	Currently	Differ- ence	Fully	Currently	Differ- ence
35	53	10	43	37	10	27
40	72	12	60	44	13	31
45	82	17	65	56	16	40
50	94	17	77	61	17	44
55	95	16	79	63	17	46
60	100	18	82	67	17	50

The table shows that, starting at age 35, fully insured women had worked an average of 27 more quarters--almost 7 years more of creditable Social Security employment. This gap continues to widen until age 60, when it reaches 50 quarters or, for fully insured women, 12-1/2 years of additional work.

At age 35, fully insured men had worked an average of 43 more quarters--almost 11 years more work under Social Security. This gap continues to widen until age 60, when it reaches 82 quarters or, for fully insured men, 20-1/2 years more work.

Appendixes III and IV show a similar comparison from ages 29 through 70.

THE FULLY INSURED PAY  
SIGNIFICANTLY MORE TAXES THAN  
THE CURRENTLY INSURED

Since the fully insured work significantly longer, it is not surprising that they pay significantly more Social Security taxes than do the currently insured. The following table illustrates the difference in taxes paid.

Average Taxes Paid for Workers Deceased in 1978

Age at death	Men			Women		
	Fully	Currently	Differ- ence	Fully	Currently	Differ- ence
35	\$5,419	\$1,045	\$4,374	\$2,722	\$ 522	\$2,200
40	7,531	981	6,550	3,114	616	2,498
45	7,728	1,698	6,030	3,223	764	2,459
50	8,354	1,770	6,584	3,615	995	2,620
55	8,771	1,537	7,234	4,066	1,052	3,014
60	9,225	1,198	8,027	4,244	855	3,389

Note: Taxes paid were computed by multiplying the earnings in each year worked by the applicable payroll tax rate, assuming each worker was an employee, and expressing the result in 1978 dollars.

The table shows that, starting at age 35, fully insured women had paid, on the average, \$2,200 more in taxes. By age 60 the difference had risen to \$3,389. The fully insured woman paid about five times what her currently insured counterpart paid.

At age 35, fully insured men had paid, on the average, \$4,374 more in taxes. At age 60 the difference had risen to \$8,027. The fully insured man paid about 7.7 times what his currently insured counterpart paid.

Appendixes V and VI show a similar comparison from ages 29 through 70.

SURVIVORS OF THE CURRENTLY INSURED RECEIVE  
DISPROPORTIONATELY GREATER BENEFITS THAN  
DO SURVIVORS OF FULLY INSURED

Time worked and money earned determine the amount of Social Security benefits. Benefits for the fully and currently insured usually vary significantly because the fully insured worked more time and earned more money. But, in relation to taxes paid, the survivors of currently insured workers tend to receive disproportionately more benefits per tax dollar than do survivors of the fully insured.

SSA actuaries constructed the following examples of four 50-year-old workers to illustrate the differences in benefit return on taxes that can occur between currently and fully insured workers. The data were constructed using representative case examples of currently and fully insured deceased workers with survivors.

	One survivor benefit on a deceased worker's account		Maximum survivor benefits on a deceased worker's account (note a)	
	Insured status		Insured status	
	Currently	Fully	Currently	Fully
Monthly benefit	b/\$122.00	\$195.90	\$183.00	\$429.90
Annual benefit (note c)	\$1,464.00	\$2,350.80	\$2,196.00	\$5,158.80
Work period	1976-78	1951-78	1976-78	1951-78
Taxes paid	\$1,248.04	\$6,982.63	\$1,248.04	\$6,982.63
Months to recover taxes paid	10.2	35.6	6.8	16.2
Annual benefit returned per tax dollar paid	\$1.17	\$.34	\$1.76	\$.74

a/Generally, maximum family benefits are payable with three or more beneficiaries.

b/\$122 was the minimum benefit in 1979.

c/Represents a constant monthly benefit amount for 12 months.

The examples 1/ show that currently insured survivors received from 138 to 244 percent more in benefits per tax dollar paid than fully insured survivors (\$1.76 vs. \$.74 and \$1.17 vs. \$.34)--even though the fully insured had worked 25 more years (28 years vs. 3 years). Also, the currently insured with maximum survivor benefits recouped taxes paid in less than half the time it took for fully insured (6.8 months vs. 16.2 months), while the currently insured with one survivor recouped taxes paid in less than one-third the time (10.2 months vs. 35.6 months).

Currently insured workers may be younger or older, may work longer or shorter periods, or may earn enough to qualify for more or less than the benefit amounts shown in the examples. Regardless of these variations, currently insured survivors generally receive disproportionately more per tax dollar paid--and recoup taxes faster--than their fully insured survivor counterparts.

Currently insured survivors receive disproportionately more primarily because of the way benefits are determined. The Social Security benefit formula provides an advantage to some wage earners who work for only short periods under Social Security. Short-term workers have paid a relatively small amount of tax because they have had little work in covered employment. All currently insured workers are short-term workers. They receive a higher return on their taxes paid than the average wage earner because of the

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1/SSA actuaries commented that:

"It is important to note that these examples (based on 1979 law) should be used for comparative purposes only. In these examples the monthly benefit based on the currently insured status of the deceased wage earner would be \$43.00 in lieu of \$122.00 and the family maximum would be \$87.00 in lieu of \$183.00 under the 1979 law if it were not for the operation of the minimum benefit floor (which was eliminated for new beneficiaries under the 1981 Act). An attempt to draw conclusions about the general relationship between the value of taxes paid versus benefits received under Social Security could be misleading for a number of reasons. For example, the taxes shown include Old-Age, Survivors, Disability, and Hospital Insurance tax payments while only survivor benefits are shown. Also, the changing value of the dollar (inflation) and the time value of money (interest) are ignored. The examples are relevant, however, as a rough comparison of the relative differences in the value of benefits versus taxes that can occur for currently insured versus fully insured workers."

benefit formula used to obtain the program's social adequacy objective. 1/

SOME UNINSURED WORKERS WORKED  
LONGER AND/OR PAID MORE TAXES  
THAN CURRENTLY INSURED WORKERS--  
YET DID NOT QUALIFY FOR BENEFITS

The currently insured provision, by emphasizing the 13-quarter period before death, fosters an inequity. We estimate that some 4,100 workers who died in 1978 either had paid more taxes or worked as long or longer under covered employment than the currently insured, yet did not qualify for benefits. (The currently insured were averaged as a group for men and women workers, and the estimate is based on a 90-percent statistical confidence level.) Of these, we estimate that about 500 did both--paid more taxes and worked longer than the currently insured. In fact, of the workers who died in 1978, there were more who paid more taxes or worked as long or longer than the average currently insured but did not qualify for benefits than there were who qualified for benefits because they were currently insured.

Our estimates are conservative for several reasons. Some workers may not qualify for benefits for various reasons, even if they meet quarters-of-coverage requirements. In examining the computer records of a random sample (5 percent) of workers who died in 1978 and who did not qualify for benefits, we found that, in about 38 percent of the cases, SSA did not show why benefits were denied. Thus, we could not determine how many workers were denied benefits specifically because they had not met any quarters-of-coverage requirement. Our estimates reflect only records in which reasons for disallowance were shown and, consequently, understate the problem.

We compared workers who did not qualify for benefits (uninsured) with the currently insured, averaged separately for men and women. Had we compared tax payments and quarters of coverage of uninsured workers with those of the most marginally eligible currently insured men or women workers, the number of uninsured workers who worked longer and/or paid more taxes would have increased significantly.

Finally, our estimates may be low because they reflect only workers on whose behalf a benefit claim was filed and denied. There is the possibility that some claims were not filed because

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1/We discussed benefit formula problems and proposed solutions for consideration of the Congress in our report entitled "Revising Social Security Benefit Formula Which Favors Short-Term Workers Could Save Billions" (HRD-81-53, Apr. 14, 1981). The proposed solutions in that report, if adopted, would curtail, but not eliminate, the inequities under the currently insured provision.

survivors realized that the workers would not qualify for benefits because of insufficient work in covered employment. Yet, such workers could have worked longer than many currently insured workers.

The following tables show the disparity in quarters of coverage and taxes paid by some men and women workers--currently insured and uninsured--who died in 1978. The uninsured were among the estimated 500 workers who did not qualify for benefits, but who worked longer and paid more taxes than the currently insured.

	<u>Age at death</u>	<u>Quarters of coverage</u>	<u>Taxes paid</u>
Currently insured men workers (average)	53	16	\$1,414

Selected uninsured men  
workers who failed to  
obtain coverage and thus  
no benefits were paid:

Worker	1	57	22	1,535
	2	61	21	1,644
	3	53	19	1,918
	4	63	19	1,953
	5	49	24	2,134

Currently insured women workers (average)	54	16	\$ 893
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Selected uninsured women  
workers who failed to  
obtain coverage and thus  
no benefits were paid:

Worker	1	42	19	910
	2	50	26	999
	3	55	21	1,303
	4	43	21	1,705
	5	61	20	1,865

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In short: the currently insured work significantly less time and pay significantly less Social Security taxes than do fully insured workers, yet their survivors receive greater benefits per tax dollar. Furthermore, the survivors of some workers who worked longer and paid more taxes than the currently insured receive no benefits.

## CHAPTER 4

### THE CURRENTLY INSURED PROVISION BENEFITS SOME FOR WHOM IT DOES NOT SEEM TO HAVE BEEN INTENDED

Previous chapters explained why the currently insured provision is no longer needed and how it favors a relatively few workers at the expense of almost all workers. This chapter examines the reasons for enacting the currently insured provision and asks whether the people benefiting today are representative of those for whom the Congress wanted to provide an alternative path to protection.

### MOST CURRENTLY INSURED WORKERS HAD A MARGINAL WORK HISTORY UNDER SOCIAL SECURITY

When the currently insured provision was enacted, the Senate Committee on Finance said (report 734, July 7, 1939):

"\* \* \* The eligibility conditions for a 'fully insured' individual are greater than for a 'currently insured' individual. This distinction is necessary in order to furnish more immediate protection to survivors against the risk of premature death of the breadwinner while not unduly relaxing the requirements for old-age-retirement benefits which is a future risk against which workers have an opportunity to build up advance protection." (Underscoring supplied.)

The Senate Committee seemed to presume that the currently insured worker would be earning enough to warrant the description "breadwinner" for the family. Our review of currently insured workers who died in 1978 shows something quite different. The average earnings profile of Social Security currently insured workers with survivors who died that year looked like this:

<u>Year of earnings</u>	Average lifetime covered earnings of currently insured workers with survivors	
	<u>Men</u>	<u>Women</u>
	1971 and before	\$ 853
1972	559	210
1973	1,306	543
1974	2,610	1,023
1975	3,763	1,992
1976	5,403	2,920
1977	6,054	3,046
1978	<u>2,695</u>	<u>1,362</u>
Total all years	<u>\$23,243</u>	<u>\$12,432</u>
Taxes paid all years in 1978 dollars	<u>\$1,578</u>	<u>\$821</u>

Note: Based on all SSA records--855 workers with survivors--  
showing workers to be currently insured only.

In contrast, fully insured men and women workers with survivors had average lifetime earnings of \$108,170 and \$42,015, respectively. Total taxes paid, for fully insured men and women workers with survivors, were \$6,970 and \$2,847 in 1978 dollars, respectively.

Most currently insured workers had a history of low earnings in covered employment when compared to the average earnings of fully insured workers. No currently insured male workers exceeded the average earnings of fully insured men. Only 1.6 percent of the currently insured women workers exceeded the average earnings of fully insured women. The following examples are illustrative of the low earnings under covered employment for some of the currently insured workers with survivors. (Also, see the 50 examples in app. VII.)

Age at death	Starting annual benefits (note a)	Total taxes paid (note b)	Lifetime earnings in covered employment.								1971 and before
			Total	1978	1977	1976	1975	1974	1973	1972	
47	\$2,426	\$ 52	\$ 771	\$ 0	\$214	\$405	\$ 0	\$152	\$ 0	\$ 0	\$ 0
53	1,687	65	1,077	30	360	360	180	0	0	0	147
37	1,741	79	1,167	0	493	501	0	0	0	0	173
35	1,851	80	1,274	496	510	268	0	0	0	0	0
46	2,539	89	1,329	0	497	416	416	0	0	0	0
58	1,530	71	1,394	0	0	401	401	0	0	0	592
42	1,877	101	1,480	0	0	867	613	0	0	0	0
53	2,344	116	1,901	0	473	417	411	0	0	0	600
58	2,484	143	1,911	0	40	412	343	271	337	330	178
65	2,047	166	2,760	0	726	951	0	0	0	0	1,083

a/Benefits paid to survivors for up to 12 months after the worker's death.

b/Expressed in 1978 dollars.

Survivors can generally continue to receive benefits until the youngest child reaches age 18. Based on 761 currently insured survivors' cases of workers who died in 1978, we found that benefits could be expected to continue for an average of 7 years.

It should be recognized that a few currently insured workers did have substantive earnings in their short-term association with covered employment. But when considering the workers' ages <sup>1/</sup> and a work environment where 9 of every 10 jobs today are covered under Social Security, it seems to us that currently insured workers have had an opportunity to build advance protection.

THE CURRENTLY INSURED PROVISION  
MAY BE SERVING SOME PEOPLE NEVER  
ORIGINALLY INTENDED TO BE SERVED

To examine the circumstances surrounding eligibility, we reviewed 335 case files of currently insured workers who died in 1980. Our review disclosed instances where those being served, in our opinion, were not those intended by the Congress when it authorized the currently insured provision. We could not estimate how often these instances occur mainly because many of the files did not contain sufficient information to identify questionable eligibility situations. Nevertheless, the following instances show how some currently insured can work less than the Congress originally envisioned to obtain coverage and how the provision fosters

<sup>1/</sup>Legislation has been introduced to eliminate Social Security taxes on earnings for workers 65 and older. If enacted, some currently insured workers, namely those who work after age 64, could pay little or no tax on their earnings, yet their survivors could qualify for benefits.

payment of benefits to such workers as illegal aliens, government workers, and certain self-employed that the Congress may not have intended to cover.

The currently insured can work less time than the Congress originally envisioned to obtain coverage

Chapter 2 discusses, in part, the implementation of the annualized earnings method (in 1978)--making it easier to gain quarters of coverage. An example of a 52-year-old worker, who died in 1980, whose survivors benefited from this method follows. The worker reentered covered employment in 1978 after an absence of 30 years. Earnings statements supplied by the employers showed:

	Total wages paid <u>1978</u>	Total wages paid <u>1979</u>
January 1 to March 31	none	\$645.99
April 1 to June 30	\$ 85.80	75.15
July 1 to September 30	198.00	none
October 1 to December 31	<u>1,300.79</u>	<u>none</u>
Total	<u>\$1,584.59</u>	<u>\$721.14</u>

Based on the annualized total wages for 1978, the worker was awarded four quarters of coverage and another two for 1979 earnings--giving the six quarters needed to be eligible for currently insured status.

Using the previous nonannualized method, but applying the \$250 requirement in 1978 and the \$260 requirement in 1979 to earn one quarter of coverage, this worker would have qualified for just two quarters of coverage. Thus, the annualized method, in this case, resulted in the worker receiving an additional four quarters of coverage and, ultimately, led to survivor benefit entitlement when the worker died in 1980.

Another example demonstrates that, in two calendar quarters, a worker can become currently insured. This case involved a 40-year-old worker who died in 1980.

	Total wages paid <u>1978</u>	Total wages paid <u>1979</u>
January 1 to March 31	none	\$897.52
April 1 to June 30	none	none
July 1 to September 30	\$ 100.00	none
October 1 to December 31	<u>2,310.00</u>	<u>none</u>
 Total	 <u>\$2,410.00</u>	 <u>\$897.52</u>

Based on the annualized total wages for 1978 (effectively for just the fourth quarter), the worker was awarded four quarters of coverage, and another three for 1979 earnings--giving the necessary quarters to be eligible under the currently insured provision. Under the nonannualized method, the worker would have qualified for just two quarters of coverage.

Individuals can work very little in covered employment--as little as it took to earn \$1,160 in 1980 and \$620 in 1981--and be currently insured. 1/ For example, if a worker earned \$1,160 in December 1980 and \$620 in January 1981, the worker's survivors could receive Social Security benefits if the worker died any time between April 1, 1981, and March 31, 1983. 2/

Currently insured records show some questionable circumstances in obtaining eligibility

Dependence on the recency of a person's work experience in order to determine eligibility for benefits can, and does, foster the payment of benefits on behalf of workers that the Congress

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1/Minimum earnings required to earn four quarters of coverage in 1980 were \$1,160 (\$290 for each of the four quarters), and the minimum earnings required to earn two quarters of coverage in 1981 were \$620 (\$310 for each of the two quarters).

2/To receive credit for a quarter, a worker must have been alive at the start of the quarter. Thus, though the worker discussed above had satisfied the dollar minimum, had he died before April 1, 1981, he would have satisfied the living requirement for only five quarters instead of the six required. Likewise, the 6 quarters must have been earned during the last 13 quarters of the worker's life (including the quarter of death). Thus, had this worker died after March 31, 1983, he would have had less than the 6 quarters needed in the last 13 quarters of his life.

may never have intended to protect. Case examples involving such workers--illegal aliens, government workers, and certain self-employed--follow.

### Illegal aliens

We found evidence in SSA records where some illegal aliens qualified for currently insured coverage. Neither we nor SSA know how many such instances occurred, however, because data on the legality of citizenship status of an individual worker are not routinely gathered by Social Security. Two examples follow:

--A 31-year-old man who, according to his wife "\* \* \* was never legally admitted to this country" worked in this country just enough to gain a total of six quarters of coverage--the minimum necessary for currently insured status. Upon death, his wife filed for and later received survivors' benefits for herself and her three children from a previous marriage--\$280 per month. Since the youngest child was 7 years old, Social Security benefits could continue for 11 years. At the original monthly award rate of \$280, this family could receive more than \$33,000 for paying Social Security taxes of \$860.

--A 39-year-old man entered the country to work. His wife said "\* \* \* My husband would come to the U.S. to work as an illegal alien for 6 months to two years at a time. He had been back in Mexico since October 1979 prior to his death." SSA helped locate his employers and his earnings records so that his wife and children could receive benefits--\$194 per month. Since the youngest child was 12 years old, Social Security benefits could continue for 6 years. At the original monthly award rate of \$194, this family could receive almost \$13,000 for paying Social Security taxes of \$1,037.

### Government workers

Because the currently insured provision, by nature, emphasizes the 13-quarter period before death, it can be particularly beneficial as a secondary source of protection for survivors of workers who have retired from government employment. For example, a retired government employee, who at age 60 begins for the first time to work under covered employment, could find it very difficult to obtain fully insured status--in 1981 30 quarters would be required, taking more than 7 years of work in covered employment. Gaining currently insured status is much less difficult since six quarters could be earned in 1-1/2 years.

It was not a specifically stated goal of the currently insured provision to afford survivors of government workers the opportunity to receive benefits, but it can happen. Two examples follow:

--A person with more than 35 years of government employment, including military service, retired from government service and began to work at age 57 under covered employment. He acquired nine quarters of coverage, enough for currently insured status. Upon his death, his family was eligible for benefits from both the Federal Government and Social Security--receiving through February 1982, \$45,800 for his Federal service, and an additional \$5,800 in Social Security benefits.

--A person had retired from government service in 1977 after 38 years. He began to work in 1977 at age 59 under covered employment and continued until his death in 1980. He was able to earn 14 quarters of coverage, enough for currently insured status. Upon death, his family was eligible for benefits from both the Federal Government and Social Security--receiving through February 1982, \$34,300 for his Federal service, and an additional \$2,600 in Social Security benefits.

A 1980 report issued by the Universal Social Security Coverage Study Group commented on this situation (windfalls for dual beneficiaries):

"The problem that has generated the greatest public concern is the extent of windfalls from Social Security to beneficiaries of public retirement plans. Frequently such individuals are characterized as 'double dippers.' The term usually has strongly negative connotations. In this context, however, the term is misleading; dual-beneficiary status occurs because recipients have complied with mandatory provisions under both covered and noncovered employment. While working in noncovered employment they contributed to their pension plan and became eligible for benefits. While working in covered employment they contributed to Social Security and met the eligibility requirements for a Social Security benefit as well. The structure of the Social Security system is responsible for the windfall benefits they receive. \* \* \* the shorter the period of Social Security-covered employment, the more generous the benefits become in relation to lifetime taxes paid to the system." (Under-scoring supplied.)

Although not specifically cited by the study group, the currently insured provision is part of the structure of the Social Security system that is fostering windfall benefits.

Retroactive filing of self-employment income tax returns

People fail to file income tax returns for numerous reasons but can file a retroactive income tax return and pay their past income and Social Security taxes, thereby gaining quarters of coverage for prior periods. <sup>1/</sup> This practice is especially advantageous under the currently insured provision since a person needs 6 of 13 quarters before death. For the self-employed, these can be earned within 2 years before the worker's death by filing the last 2 years of tax returns and paying the Social Security self-employment tax owed. It could be much harder to retroactively gain full coverage, since it could be necessary to pay back taxes on as many as 7 years of earnings. Case examples follow showing how workers or their survivors through the retroactive filing of self-employment tax returns obtained eligibility.

--A 42-year-old man was described by his wife as follows:  
"My husband was a self-employed painter. As far as I know, he never filed an income tax return on his income and kept no records of his earnings." She also said her husband did some seasonal farmwork. SSA helped her locate the people with whom she claimed the deceased had "tacit agreements" not to have them withhold any Social Security tax. SSA also recorded in March 1980 that the wife brought in tax returns which she had just prepared. She assured Social Security that she "had just mailed off the originals with the proper

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<sup>1/</sup>Under the Social Security Act, the reported earnings of a self-employed person are creditable for purposes of determining entitlement to benefits. This is the case whether or not the self-employment tax has been paid on such earnings. In a report to the Joint Committee on Taxation on the "Collection of Taxpayers' Delinquent Accounts by the Internal Revenue Service," August 9, 1973, B-137762, pp. 30-32, we recommended legislation amending the Social Security Act to make the payment of benefits based upon reported self-employment income conditional upon payment of the self-employment tax due with respect to such income. A followup report on the same subject was issued to the Chairman, Joint Committee on Taxation, August 8, 1977 (GGD-77-78). A bill (H.R. 1319) introduced January 27, 1981, and still pending, seeks to amend the Social Security Act to provide that credits based on self-employment income shall be available only to the extent that the self-employment tax has been paid with respect to such income.

tax due mailed with it." This information, along with some wage tax withholding statements obtained retroactively, led SSA to conclude that the worker met the currently insured eligibility requirement. She then received a \$255 lump-sum death benefit and started receiving a monthly check of \$122 for her son.

--A deceased worker had been self-employed in an illegal business on which he kept no records and filed no returns. The unmarried mother of his children apparently filed retroactive returns for 4 years so that she and her children could qualify for benefits. The case file does not detail how his spouse was able to file tax returns for 4 years if no records were kept. The tax returns were unsigned and dated the same month as the application for benefits (which they began receiving monthly in 1980 in the amount of \$183).

--A worker, knowing that she was terminally ill, in 1980 adjusted her self-employment tax return for 1978 by amending a deduction for utility expenses, having taken \$600 too much as a deduction. Thus, \$600 was added as income and became taxable as such. This entitled her to an additional two quarters of coverage that she needed to gain currently insured status and guarantee future benefits for her spouse and children (which they began receiving monthly in 1980 in the amount of \$183).

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Most currently insured deceased workers had little work in covered employment. And some workers are benefiting through practices permitted under the currently insured provision that places undue emphasis upon the deceased worker's most recent work history.

## CHAPTER 5

### DISCONTINUANCE WOULD NOT WORK A HARDSHIP ON MOST CURRENTLY INSURED WORKERS AND WOULD SAVE SOCIAL SECURITY MILLIONS OF DOLLARS EACH YEAR

This chapter examines the effects discontinuance could be expected to have on currently insured workers and on the Social Security trust fund.

### MORE THAN THREE OF EVERY FOUR CURRENTLY INSURED WORKERS COULD BE FULLY INSURED IN 3 YEARS OR LESS

How many currently insured workers might not have their survivors covered under Social Security if the currently insured provision were discontinued? We estimate that about 3,700 and 3,500 workers died in 1977 and 1978, 1/ respectively, who were currently insured--less than one-half of 1 percent of the 1.3 million eligible workers who die each year. Consequently, relatively few workers would be affected by discontinuance. Of the few workers who would not have their survivors covered under Social Security, some may be covered under other programs, such as those for government workers.

How long, on the average, would it take currently insured workers to regain protection under fully insured status? Most currently insured workers, despite their short work histories in covered employment, need relatively few additional quarters to meet the minimum requirement for being fully insured. We determined how close to being fully insured a number of deceased currently insured workers were, regardless of age, when they died. Consider the following table:

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1/Based on benefit and earnings information supplied to us by SSA.

<u>Quarters of coverage needed to be fully insured</u>	<u>Percent of currently insured only deceased workers</u>
1	6.8
2 to 4	22.6
5 to 8	27.2
9 to 12	21.0
13 to 16	15.5
17 to 21	<u>6.9</u>
Total	<u>100.0</u>

Note: Based on 6,541 currently insured only workers deceased from 1975 to 1978. Quarters of coverage needed to be fully insured were based on the difference between quarters of coverage required for the workers' ages and actual quarters earned.

We estimate that nearly 30 percent of today's currently insured workers could become fully insured in less than a year. More than three of every four currently insured workers could become fully insured in 3 years (by earning in covered employment a minimum of \$1,360 in 1982, \$1,480 in 1983, and \$1,640 in 1984). About 7 percent of the currently insured would need between 4 and 5 years (17 to 21 quarters) to become fully insured.

DISCONTINUING THE CURRENTLY INSURED  
PROVISION WOULD SAVE SOCIAL SECURITY  
\$180 MILLION THROUGH 1990

Discontinuance of the currently insured provision for entitlement to lump-sum death and/or survivor benefits could save Social Security's trust fund millions of dollars each year. In August 1981, Social Security actuaries estimated the potential savings by eliminating the currently insured provision effective September 1981 for future beneficiaries as shown for the following years:

<u>Fiscal year</u>								
<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
----- (millions) -----								
\$4	\$9	\$14	\$20	\$25	\$30	\$36	\$41	\$45

According to SSA estimates, discontinuing the currently insured provision could save the trust fund about \$224 million through 1990. Future discontinuance would not affect the benefits of survivors presently receiving benefits. However, since the Omnibus Budget Reconciliation Act of 1981 reduced or eliminated about \$44 million in cumulative student, minimum, and lump-sum death benefits for survivors of currently insured workers, we estimate that discontinuing the currently insured provision would, through 1990, save about \$180 million.

## CHAPTER 6

### CONCLUSIONS, RECOMMENDATION,

### BUDGETARY IMPACT OF RECOMMENDATION,

### AGENCY COMMENTS, AND OUR RESPONSE TO AGENCY COMMENTS

#### CONCLUSIONS

The currently insured provision was enacted shortly after inception of the Social Security program to protect survivors of workers who died before they had time to work long enough under Social Security to become fully insured. At that time many people worked in jobs not covered under Social Security and were at an age when their life expectancy indicated they might not live long enough to earn full coverage. Since then, the opportunity to receive protection under Social Security has greatly increased. The problems that gave rise to the currently insured provision--the lack of jobs covered by Social Security, the large proportion of workers not being insured, and the existence of a relatively stringent eligibility requirement--no longer exist.

The currently insured provision, therefore, in today's environment is inequitable and, in our opinion, should be discontinued. The provision is inequitable because the currently insured work significantly less time and pay significantly less taxes than fully insured workers, yet their survivors received disproportionately greater benefits. The provision is also inequitable because there are some workers who die and their families do not receive Social Security benefits even though they worked longer under covered employment and paid more taxes than the currently insured. Furthermore, the provision benefits some for whom it is questionable that the Congress intended to cover--illegal aliens, government workers, and some self-employed for whom survivors are filing retroactive returns to get coverage.

Future discontinuance will not affect survivors now receiving benefits. In addition, more than three of every four of today's currently insured workers could become fully insured in 3 years. Discontinuance could, through 1990, save the trust fund about \$180 million in the payment of benefits.

#### RECOMMENDATION TO THE CONGRESS

The Congress should amend the Social Security Act to eliminate the currently insured provision. Suggested language to implement this recommendation follows:

- (a) Section 214(b) of the Social Security Act is repealed.
- (b) Title II of the Social Security Act is amended by striking out the words "or currently" wherever they may appear in connection with the status of an individual insured under this title.
- (c) These amendments shall be effective in determining the insured status of individuals who die after [the effective date to be determined].

#### BUDGETARY IMPACT OF RECOMMENDATION

We believe that implementing our recommendation would result in savings of \$180 million through 1990. Annual savings would range from less than \$10 million in fiscal year 1983 to roughly \$40 million in fiscal year 1990. In order to achieve these savings, the Congress should amend the Social Security Act, as described above. Budgetary savings would then accrue to the Department of Health and Human Services, SSA, Federal Old-Age and Survivors Insurance Trust Fund (09-60) 20-8006 in the General Retirement and Disability Insurance (601) budget subfunction. The Senate Committee on Finance and the House Committee on Ways and Means have legislative jurisdiction over this benefit program.

#### AGENCY COMMENTS

The Department of Health and Human Services, after reviewing a draft of this report, did not comment on our recommendation. Program officials did provide some clarifying material which they believed would help to assure accuracy and provide a better perspective for the reader (see app. VIII). These suggestions have been reflected in the final report.

#### OUR RESPONSE TO AGENCY COMMENTS

While the Department of Health and Human Services did not comment on our recommendation in its March 3, 1982, response, the Department did, in 1979, propose legislation to eliminate the currently insured provision for future beneficiaries. No legislation to accomplish the change was introduced. Some of the reasons cited in 1979 by SSA for eliminating the provision are the same as those stated in this report.

SCOPE AND METHODOLOGY OF REVIEW

We made our review at SSA headquarters in Baltimore, Maryland, and at SSA's Mid-Atlantic Program Service Center, Philadelphia, Pennsylvania.

To collect and analyze data on deceased currently insured workers, we requested, and SSA provided on magnetic tape files, all benefit and earnings records for those workers deceased from January 1975 to about mid-1980, recorded as currently insured on SSA's master benefit record--about 14,000 records. We examined these records and found that some workers were, in fact, fully insured. After reviewing all records provided and reclassifying those workers who were fully insured, we calculated quarters of coverage earned and Social Security taxes paid for the currently insured deceased in 1978, the latest year with the most complete earnings data (at the start of our review).

To compare the currently insured workers to the fully insured and the uninsured, we sampled 5 percent of all workers deceased in 1978 who claimed a Social Security benefit--about 62,000 records--after eliminating the disabled, those under age 29, and those with incomplete birth date information. By using payment and earnings data, we classified workers as fully insured, currently insured, or uninsured. We calculated for the fully insured workers, and the uninsured, the quarters of coverage earned and Social Security taxes paid. We then compared the currently insured with the fully insured, and the uninsured.

We also reviewed 335 case files of currently insured workers with survivors who died in the first half of 1980 to determine the extent of work in covered employment. The 335 case files represented all those SSA had available at the time of our review.

QUARTERS OF COVERAGE ACCUMULATED BY PERSONS AGED 18 TO 28

Age	Males			Females		
	Quarters of coverage accumulated			Quarters of coverage accumulated		
	<u>6</u>	<u>12</u>	<u>16</u>	<u>6</u>	<u>12</u>	<u>16</u>
	(percent)			(percent)		
18	48	10	3	38	5	1
19	70	26	8	57	16	3
20	83	48	23	71	32	12
21	89	66	43	78	47	25
22	92	76	59	82	57	40
23	94	83	71	85	65	49
24	95	86	78	87	70	57
25	95	89	83	88	74	62
26	96	90	85	89	76	67
27	95	91	87	89	77	67
28	96	92	88	90	78	70

- Notes:
1. Data based on SSA quarters of coverage sample data as of January 1, 1978.
  2. Any quarter of coverage earned before age 22 counts toward meeting the total number of quarters required for full coverage. This is significant since the fully insured requirement specifies that a person must have one quarter of coverage for each year after attaining age 21 (and before the year of death or age 62). Thus, a person could have been accumulating quarters of coverage during the years before the year a person had his 22nd birthday. Thus, a majority of persons get a headstart on Social Security protection.
  3. At age 28, the last year for which six quarters of coverage is required to be fully insured, 96 percent of all males and 90 percent of all females met that goal.

QUARTERS OF COVERAGE EARNED BY FULLY AND  
CURRENTLY INSURED MEN WORKERS DECEASED IN 1978

Age at death	Fully insured			Currently insured			Difference average
	Average	Lower limit	Upper limit	Average	Lower limit	Upper limit	
29	35	32	38	(a)	(a)	(a)	(a)
30	40	38	42	(a)	(a)	(a)	(a)
31	42	39	45	(a)	(a)	(a)	(a)
32	46	43	49	(a)	(a)	(a)	(a)
33	49	46	52	9	8	10	40
34	56	52	60	9	7	11	47
35	53	49	57	10	8	12	43
36	61	57	65	11	9	13	50
37	62	58	66	11	9	13	51
38	68	64	72	11	9	13	57
39	69	64	74	13	11	15	56
40	72	68	76	12	11	13	60
41	74	70	78	15	13	17	59
42	78	74	82	13	11	15	65
43	85	81	89	14	12	16	71
44	81	77	85	14	11	17	67
45	82	78	86	17	15	19	65
46	86	82	90	18	16	20	68
47	90	86	94	15	12	18	75
48	92	88	96	17	14	20	75
49	92	88	96	19	17	21	73
50	94	90	98	17	14	20	77
51	95	91	99	18	16	20	77
52	96	92	100	17	15	19	79
53	96	92	100	17	15	19	79
54	98	94	102	19	17	21	79
55	95	91	99	16	13	19	79
56	96	92	100	17	14	20	79
57	98	94	102	17	14	20	81
58	96	92	100	17	15	19	79
59	95	91	99	18	16	20	77
60	100	97	103	18	16	20	82
61	97	93	101	18	16	20	79
62	96	93	99	17	15	19	79
63	97	94	100	16	13	19	81
64	94	91	97	15	13	17	79
65	94	91	97	15	12	18	79
66	93	91	95	15	12	18	78
67	92	90	94	15	11	19	77
68	89	87	91	15	12	18	74
69	83	81	85	16	12	20	67
70	82	80	84	14	11	17	68

- Notes: 1. Above currently insured data are based on all SSA cases recorded as currently insured only in 1978.
2. Fully insured data are based on a 5-percent sample of all fully insured workers deceased in 1978.
3. The lower and upper limits for fully and currently insured workers were computed at the 95-percent confidence level.

a/Fewer than five SSA-recorded cases.

QUARTERS OF COVERAGE EARNED BY FULLY AND  
CURRENTLY INSURED WOMEN WORKERS DECEASED IN 1978

Age at death	Fully insured			Currently insured			Difference average
	Average	Lower limit	Upper limit	Average	Lower limit	Upper limit	
29	26	22	30	(a)	(a)	(a)	(a)
30	29	24	34	(a)	(a)	(a)	(a)
31	27	22	32	(a)	(a)	(a)	(a)
32	31	26	36	(a)	(a)	(a)	(a)
33	34	29	39	(a)	(a)	(a)	(a)
34	33	27	39	10	9	11	23
35	37	31	43	10	8	12	27
36	30	26	34	11	10	12	19
37	40	34	46	12	10	14	28
38	39	33	45	12	10	14	27
39	50	44	56	13	11	15	37
40	44	37	51	13	11	15	31
41	52	45	59	13	11	15	39
42	53	45	61	14	12	16	39
43	55	49	61	15	13	17	40
44	47	40	54	17	15	19	30
45	56	49	63	16	14	18	40
46	57	50	64	17	15	19	40
47	60	53	67	16	14	18	44
48	58	52	64	19	17	21	39
49	60	53	67	19	17	21	41
50	61	55	67	17	15	19	44
51	66	59	73	18	16	20	48
52	59	53	65	17	15	19	42
53	65	58	72	17	15	19	48
54	66	60	72	18	16	20	48
55	63	56	70	17	15	19	46
56	62	56	68	17	15	19	45
57	63	57	69	18	16	20	45
58	66	61	71	17	15	19	49
59	66	59	73	17	15	19	49
60	67	61	73	17	15	19	50
61	69	62	76	18	16	20	51
62	65	60	70	18	16	20	47
63	66	61	71	17	15	19	49
64	67	62	72	16	14	18	51
65	67	63	71	15	13	17	52
66	69	65	73	15	13	17	54
67	66	62	70	14	12	16	52
68	67	64	70	14	12	16	53
69	66	63	69	13	11	15	53
70	62	59	65	13	11	15	49

- Notes: 1. Above currently insured data are based on all SSA cases recorded as currently insured only in 1978.
2. Fully insured data are based on a 5-percent sample of all fully insured workers deceased in 1978.
3. The lower and upper limits for fully and currently insured workers were computed at the 95-percent confidence level.

a/Fewer than five currently insured SSA-recorded cases.

TAXES PAID BY FULLY AND CURRENTLY INSUREDMEN WORKERS DECEASED IN 1978

Age at death	Fully insured			Currently insured			Difference average
	Average	Lower limit	Upper limit	Average	Lower limit	Upper limit	
29	\$3,276	\$2,900	\$3,651	(a)	(a)	(a)	(a)
30	3,718	3,364	4,072	(a)	(a)	(a)	(a)
31	4,437	3,991	4,882	(a)	(a)	(a)	(a)
32	4,833	4,245	5,420	(a)	(a)	(a)	(a)
33	4,960	4,410	5,511	\$ 716	\$ 346	\$1,086	\$4,244
34	5,999	5,420	6,579	1,124	890	1,359	4,875
35	5,419	4,841	5,996	1,045	439	1,651	4,374
36	6,426	5,805	7,048	1,164	791	1,536	5,262
37	6,340	5,741	6,939	1,183	1,037	1,330	5,157
38	6,984	6,340	7,629	868	662	1,073	6,116
39	7,213	6,398	8,027	1,265	833	1,697	5,948
40	7,531	6,841	8,221	981	708	1,254	6,550
41	7,174	6,504	7,842	1,310	925	1,693	5,864
42	7,535	6,911	8,160	1,134	730	1,538	6,401
43	8,531	7,870	9,192	1,020	769	1,271	7,511
44	7,633	7,037	8,229	871	565	1,177	6,762
45	7,728	7,082	8,373	1,698	1,296	2,100	6,030
46	8,269	7,626	8,912	1,879	1,383	2,374	6,390
47	8,178	7,553	8,803	1,412	863	1,961	6,766
48	8,711	8,186	9,237	1,706	1,215	2,197	7,005
49	8,286	7,676	8,897	2,470	1,905	3,035	5,816
50	8,354	7,735	8,974	1,770	1,277	2,263	6,584
51	8,584	8,033	9,136	1,614	1,048	2,179	6,970
52	9,059	8,501	9,616	1,838	1,331	2,345	7,221
53	8,743	8,228	9,259	1,795	1,396	2,194	6,948
54	9,094	8,587	9,602	1,452	1,093	1,811	7,642
55	8,771	8,239	9,303	1,537	1,130	1,944	7,234
56	8,748	8,264	9,232	1,462	1,023	1,901	7,286
57	9,138	8,654	9,621	1,204	904	1,504	7,934
58	8,791	8,311	9,271	1,551	1,120	1,982	7,240
59	8,738	8,246	9,230	1,285	1,003	1,567	7,453
60	9,225	8,748	9,673	1,198	906	1,490	8,027
61	9,097	8,604	9,589	1,484	1,166	1,802	7,613
62	8,683	8,271	9,096	1,351	1,023	1,679	7,332
63	8,743	8,345	9,142	1,379	874	1,884	7,364
64	8,067	7,695	8,439	950	681	1,220	7,117
65	8,075	7,765	8,385	895	467	1,323	7,180
66	7,794	7,521	8,066	865	520	1,210	6,929
67	7,407	7,152	7,661	1,082	574	1,590	6,325
68	6,973	6,760	7,186	1,610	554	2,666	5,363
69	6,081	5,897	6,264	1,174	470	1,878	4,907
70	5,779	5,605	5,953	732	220	1,244	5,047

- Notes: 1. Above currently insured data are based on all SSA cases recorded as currently insured only in 1978.
2. Fully insured data are based on a 5-percent sample of all fully insured workers deceased in 1978.
3. The lower and upper limits for fully and currently insured workers were computed at the 95-percent confidence level.
4. Taxes paid were computed by multiplying the earnings in each year worked by the applicable payroll tax rate, assuming each worker was an employee, and expressing the result in 1978 dollars.

a/Fewer than five SSA-recorded cases.

TAXES PAID BY FULLY AND CURRENTLY INSURED

WOMEN WORKERS DECEASED IN 1978

Age at death	Fully insured			Currently insured			Difference average
	Average	Lower limit	Upper limit	Average	Lower limit	Upper limit	
29	\$2,057	\$1,516	\$2,599	(a)	(a)	(a)	(a)
30	2,300	1,751	2,848	(a)	(a)	(a)	(a)
31	2,133	1,575	2,691	(a)	(a)	(a)	(a)
32	2,131	1,544	2,718	(a)	(a)	(a)	(a)
33	2,595	2,003	3,188	(a)	(a)	(a)	(a)
34	2,481	1,633	3,329	\$ 499	\$370	\$ 628	\$1,982
35	2,722	1,950	3,494	522	382	662	2,200
36	1,886	1,281	2,491	568	399	737	1,318
37	2,652	1,973	3,330	634	422	846	2,018
38	2,591	1,868	3,314	498	384	612	2,093
39	3,317	2,642	3,991	787	587	987	2,530
40	3,114	2,145	4,082	616	521	717	2,498
41	3,481	2,637	4,325	616	456	777	2,865
42	3,551	2,630	4,472	766	622	910	2,785
43	3,159	2,568	3,750	667	541	792	2,492
44	2,392	1,783	3,001	885	660	1,110	1,507
45	3,223	2,553	3,892	764	572	956	2,459
46	3,094	2,458	3,730	853	660	1,046	2,241
47	3,613	2,849	4,376	789	605	973	2,824
48	3,338	2,683	3,993	998	800	1,196	2,340
49	4,257	3,434	5,080	1,047	863	1,231	3,210
50	3,615	2,819	4,411	995	764	1,226	2,620
51	3,903	3,196	4,609	1,058	820	1,296	2,845
52	3,408	2,762	4,054	1,183	933	1,433	2,225
53	3,856	3,145	4,568	940	769	1,111	2,916
54	4,403	3,712	5,094	1,013	830	1,196	3,390
55	4,066	3,315	4,818	1,052	818	1,286	3,014
56	3,807	3,093	4,522	888	755	1,021	2,919
57	3,866	3,254	4,478	1,010	835	1,185	2,856
58	3,920	3,318	4,523	1,116	900	1,332	2,804
59	4,014	3,356	4,673	952	767	1,137	3,062
60	4,244	3,630	4,858	855	673	1,037	3,389
61	4,309	3,596	5,023	1,032	826	1,238	3,277
62	3,745	3,232	4,259	913	691	1,135	2,832
63	3,944	3,470	4,417	988	750	1,226	2,956
64	3,758	3,332	4,185	878	642	1,114	2,880
65	3,887	3,469	4,306	851	493	1,034	3,036
66	3,919	3,566	4,271	533	402	664	3,386
67	3,573	3,253	3,894	598	279	917	2,975
68	3,608	3,324	3,891	479	63	895	3,129
69	3,447	3,197	3,698	509	169	850	2,938
70	2,908	2,687	3,130	627	330	923	2,281

- Notes: 1. Above currently insured data are based on all SSA cases recorded as currently insured only in 1978.
2. Fully insured data are based on a 5-percent sample of all fully insured workers deceased in 1978.
3. The lower and upper limits for fully and currently insured workers were computed at the 95-percent confidence level.
4. Taxes paid were computed by multiplying the earnings in each year worked by the applicable payroll tax rate, assuming each worker was an employee, and expressing the result in 1978 dollars.

a/Fewer than five SSA-recorded cases.

EARNINGS IN COVERED EMPLOYMENT FOR SELECTED CURRENTLY INSUREDWORKERS DECEASED IN 1978 WITH SURVIVORS

Age at death	Starting annual benefits (note a)	Total taxes paid (note b)	Lifetime earnings in covered employment								1971 and before	
			Total	1978	1977	1976	1975	1974	1973	1972		
38	\$2,405	\$ 98	\$1,504	\$ -	\$ 713	\$ 791	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
58	1,765	117	1,680	-	480	480	240	480	-	-	-	-
42	1,789	111	1,725	699	115	341	256	-	-	-	-	314
45	2,454	122	1,910	-	1,415	495	-	-	-	-	-	-
39	1,424	120	1,911	534	-	900	213	-	-	-	-	264
42	2,415	133	2,122	-	-	444	620	-	-	-	-	1,058
45	2,540	135	2,150	-	64	653	60	828	-	-	-	545
45	2,404	174	2,420	-	297	535	588	498	355	142	-	5
42	1,397	151	2,559	1,042	983	-	-	-	-	15	-	519
55	1,863	181	2,589	-	377	1,051	522	395	244	-	-	-
46	2,467	172	2,612	-	965	1,510	137	-	-	-	-	-
35	2,302	172	2,721	1,280	373	1,067	-	-	-	-	-	1
56	1,687	187	2,724	-	-	1,469	1,255	-	-	-	-	-
57	1,789	179	2,731	-	900	828	294	160	26	-	-	523
52	2,449	214	2,814	-	-	375	672	577	-	1,190	-	-
63	1,439	197	2,846	466	471	491	526	426	466	-	-	-
41	2,404	187	2,864	-	1,125	1,320	300	-	-	-	-	119
43	1,679	187	2,916	-	156	-	541	-	-	-	-	2,219
46	1,741	199	2,934	-	1,168	-	1,766	-	-	-	-	-
39	2,467	194	2,943	884	301	1,340	-	-	-	-	-	418
46	2,180	197	2,985	-	67	435	550	749	205	-	-	979
64	1,753	207	2,991	-	-	1,195	1,796	-	-	-	-	-
54	1,595	189	2,993	336	763	534	-	-	-	-	-	1,360
40	1,709	204	2,997	-	70	1,568	416	-	-	-	-	943
53	2,437	153	3,000	-	1,006	896	-	-	-	-	-	1,098
49	1,875	184	3,018	-	356	601	616	330	-	-	-	1,115
42	2,193	200	3,033	-	1,049	957	874	-	-	-	-	153
52	2,503	167	3,033	-	-	871	517	558	-	-	-	1,087
67	1,324	218	3,129	-	-	245	2,094	624	-	-	-	166
54	2,393	211	3,174	-	982	1,471	721	-	-	-	-	-
43	2,506	197	3,180	1,722	1,225	-	-	-	61	-	-	172
46	2,557	206	3,196	868	923	706	345	-	-	-	-	354
37	2,425	216	3,196	-	739	1,660	650	-	12	-	-	135
38	1,473	217	3,225	-	2,178	407	-	-	98	237	-	305
61	2,426	208	3,240	-	2,250	990	-	-	-	-	-	-
41	1,649	222	3,254	-	-	2,152	1,102	-	-	-	-	-
40	1,777	215	3,304	1,901	250	-	501	-	-	-	-	652
29	1,753	216	3,342	-	2,292	729	321	-	-	-	-	-
47	2,415	213	3,389	-	-	635	1,441	544	-	-	-	769
48	1,415	253	3,453	-	-	1,430	968	-	-	300	-	755
44	2,437	196	3,558	-	-	815	477	133	-	-	-	2,133
36	2,426	230	3,615	1,666	922	662	-	-	-	-	-	365
70	1,789	225	3,626	1,494	2,132	-	-	-	-	-	-	-
36	1,729	258	3,663	506	860	397	321	27	1,407	-	-	145
54	2,875	250	3,670	-	1,240	1,135	319	-	-	-	-	976
48	2,426	272	3,683	-	-	877	831	436	456	-	-	1,083
38	2,467	234	3,688	882	1,400	686	-	-	-	-	-	720
45	2,320	237	3,931	1,348	1,040	982	-	-	-	-	-	561
35	2,485	244	3,933	1,383	2,550	-	-	-	-	-	-	-
36	2,558	242	3,968	2,992	976	-	-	-	-	-	-	-

a/Benefits paid to survivors for up to 12 months after the worker's death.

b/Expressed in 1978 dollars.



## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

MAR 3 1982

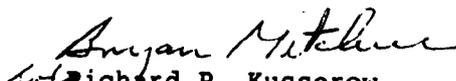
Mr. Gregory J. Ahart  
Director, Human Resources  
Division  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft of a proposed report "Social Security's Currently Insured Provision Should Be Discontinued." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

  
Richard P. Kusserow  
Inspector General

Enclosure

GAO note: Page references in this appendix may not correspond to page numbers in the final report.

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE  
GAO DRAFT REPORT "SOCIAL SECURITY'S CURRENTLY INSURED PROVISION  
SHOULD BE DISCONTINUED"

Although the draft report does not direct any recommendations to this Department, we are providing the following comments in the interest of clarifying the material in the report.

The draft report repeatedly states that "survivors' benefits" are paid if a worker dies currently insured. This is misleading because not all types of survivors' benefits can be paid based on currently insured status. The benefits which can be paid on the basis of currently insured status are the lump sum death benefit, benefits to surviving children, and benefits to a surviving mother or father caring for a child under age 16. Other survivors' benefits, such as those payable to aged widows and widowers, disabled widows and widowers age 50 and over, and the aged parents of a worker, can be paid only on the record of a fully insured worker.

We believe certain statements in GAO's report should be clarified to assure accuracy and to provide proper perspective for the reader. Our suggested clarifications are listed below.

Page 14, paragraph 3, line 3 should read:

"But, in relation to taxes paid, the survivors of currently insured workers tend to receive disproportionately more benefits per tax dollar than do survivors of the fully insured."

Page 14, paragraph 4, line 1 should read:

"Social Security Administration actuaries constructed the following examples of four fifty-year-old workers to illustrate the differences in benefit return on taxes that can occur between currently and fully insured workers."

Page 15, paragraph 1, the following should be inserted at the beginning of the paragraph:

"It is important to note that these examples (based on 1979 law) should be used for comparative purposes only. In these examples the monthly benefit based on the currently insured status of the deceased wage earner would be \$43.00 in lieu of \$122.00 and the family maximum would be \$87.00 in lieu of \$183.00 under the 1979 law if it were not for the operation of the minimum benefit floor (which was eliminated for new beneficiaries under the 1981 Act). An attempt to draw conclusions about the general relationship between the value of taxes paid versus benefits received under Social Security could be misleading for a number of reasons. For example, the taxes shown include Old-Age, Survivors,

Disability, and Hospital Insurance tax payments while only survivor benefits are shown. Also, the changing value of the dollar (inflation) and the time value of money (interest) are ignored. The examples are relevant, however, as a rough comparison of the relative differences in the value of benefits versus taxes that can occur for currently insured versus fully insured workers."

Page 15, last paragraph, second sentence should read:

"Regardless of these variations, currently insured survivors generally receive disproportionately more per tax dollar paid--and recoup taxes faster--than their fully insured survivor counterparts."

Page 33, paragraph 1, line 1 should read:

"According to Social Security Administration estimates, discontinuing the currently insured provision could save the trust fund about \$224 million through 1990."

(105140)





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